

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-678

November 23, 2004

CENTRAL MAINE POWER COMPANY
Request for Approval Of Affiliated Interest
Transaction With Union Water Power
Company and MaineCom Services

ORDER

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

In this Order, we approve separate affiliated interest transactions pursuant to 35-A M.R.S.A. § 707, between Central Maine Power Company (CMP or the Company) and its affiliates Union Water Power Company (UWP) and MaineCom Services (MCS) whereby the Company will lease space in its Augusta, Maine General Office and Old Winthrop Road locations to UWP and MCS.

II. BACKGROUND

On September 29, 2004, CMP filed a request for approval for two separate affiliated interest transactions, one with UWP and another with MCS. The "Facilities Use Agreements" (or leases) will allow UWP and MCS the use of office space in the Augusta General Office building and equipment and supply storage in CMP's Old Winthrop Road facility. Although the lease price may vary from year to year, the price will fully compensate CMP for all of its costs, including overheads, maintenance and use of capital, consistent with Rule 91 of the Securities & Exchange Commission's (SEC) regulations.

The initial annual lease rate, based on the percentage of square footage both affiliates will occupy is estimated at a combined \$56,700, or approximately \$20.40 per square foot. While that rate may appear high for the Augusta market, these leases are what the real estate industry refers to as "gross" leases where the rate includes items such as, maintenance, cleaning, insurance (excluding renter's insurance) utilities and security. CMP has consulted with real estate professionals in the Augusta area who have advised the Company that the current range for a "gross" lease in the area would range between \$17.85 and \$20.00 per square foot. CMP therefore believes that the proposed rate, in addition to fully compensating it for all internal costs, is also comparable to current market rates.

III. DECISION

No public utility may arrange for the furnishing of any service with an affiliated interest until the Commission finds that the arrangement is not adverse to the public interest. 35-A M.R.S.A. § 707(3). The proposed agreements make use of vacant office and storage space in the Company's Augusta General Office and Old Winthrop Road facilities and therefore will not hinder CMP's efforts in providing safe and reliable service for its ratepayers. As the proposed lease rates are designed to fully compensate CMP for all costs incurred (including its cost of capital) and the Company is currently operating under an incentive rate making scheme ("ARP 2000"), we believe that CMP has no incentive to undercharge its affiliates to the detriment of its ratepayers. We therefore conclude that the agreements are not adverse to the public interest.

Accordingly, we

O R D E R

That upon filing of executed copies with the Commission, the Facility Use Agreements described in Central Maine Power Company's petition of September 29, 2004, contemplating transactions between the Company and its affiliates, Union Water Power Company and MaineCom Services, are approved.

Dated at Augusta, Maine, this 23rd day of November, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.